Banana Trade News Bulletin

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Editorial

WTO - Wiser Tariffs Opportunity?

The World Trade Organisation has become a by-word for an incapacity to be inventive when it comes to trying to marry sustainable production, fair trade and ethical consumption with international trade policy. Governments and private companies - even some civil society organisations – explain, with anything from resignation to pseudo-religious fervour, that the existing rules of international trade, as embodied in the WTO – make it impossible within the “current parameters” to exercise any kind of positive "discrimination" in favour of more sustainable commodity chains.

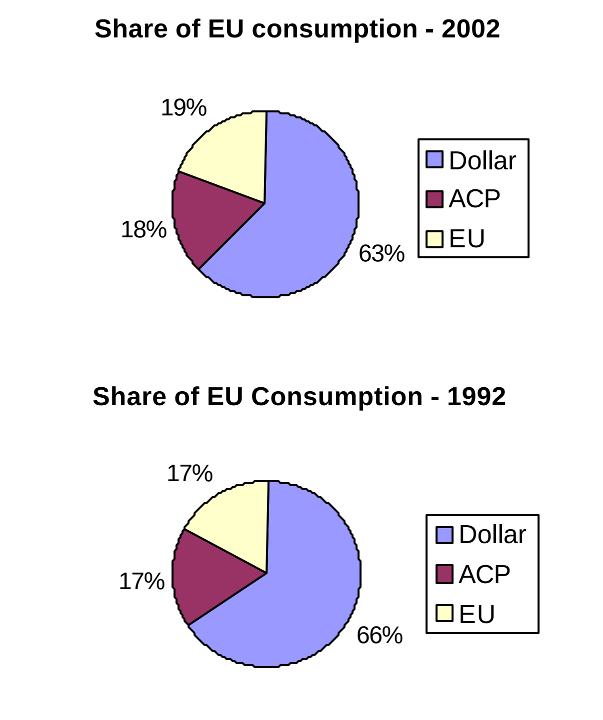
Those producers, traders and consumers – even policymakers themselves – who do have a clear vision of how a sustainable banana economy might work are confronted with a kind of institutionalised pessimism about the feasibility – or negotiability – of trade policy alternatives that could act as an incentive to more sustainable commodity chains. Governments who make up the WTO membership, even those in the rich world, seem to be saying: “yes, trade policies which support sustainable development are certainly desirable, but you have to be realistic about the current climate amongst our fellow WTO members…”.

Efforts to apply the principle of fostering sustainability to the European Union’s banana import arrangements run into - thanks largely to the bitter and protracted disputes which they have provoked both inside and outside the WTO - a particular sensitivity, nay paranoia, when introduced into the world of policymakers… and not just amongst those responsible for guiding future policy development in the powerful trading blocs of Europe and North America.

Some producer and exporter country governments also display a knee-jerk reaction which tends to dismiss such talk as just “another attempt by the rich North to impose ‘protectionism’ on our underdeveloped but competitive economies”.

It is time to move beyond these semi-institutionalised reactions of either pessimism or outright dismissal when exploring what a trade regime supportive of the principles and practices of sustainable production trade and consumption might actually look like.

The complex EU banana regime was designed – in the political and economic context of the early 1990s – to harmonise a series of radically differing banana trading and consumption practices amongst 12 EU member states. The single market regime created in 1993 had to coincide with the reality of essentially three ‘geo-politico-economic’ zones of production: the so-called ‘dollar’ zone (‘third countries’ in the formal trade policy jargon) comprising, almost exclusively, South and Central American countries with predominantly large-scale plantation systems; members states of the ACP group in Africa and the Caribbean basin with very disparate production systems; and the EU’s domestic production, predominantly made up of small-scale production systems in its ‘overseas territories’ of the mid-Atlantic and Eastern Caribbean.



Source: EU, 2002

Whatever else it has done, the EU banana regime has preserved – almost unchanged – the proportion of bananas that each of these three zones supplies to the EU market. If the supply shares of each zone are compared to 15 years ago, the dollar zone has increased its share at the expense of the EU’s own producers (from 57% to 63% and from 25% to 19% respectively.

If it is time to move beyond the almost programmed attitudes of some policymakers and many of the powerful actors in the banana economy itself, then it would also seem necessary to view the EU banana market and its suppliers from a different angle. Otherwise all the players risk entering a new phase of more or less futile banana trade ‘wars’.

How can the risks and opportunities of major WTO-driven reform of the EU’s policy be harnessed to benefit the vast majority of actors along the chain, wherever and however they produce bananas for export, especially those who depend on the trade to secure a fragile livelihood in countries where rural poverty is the rule rather than the exception? How can reform - widely perceived as threat by most - be turned into an opportunity to exercise wisdom founded on idealism, but also firmly grounded in what could be feasible within the “current parameters”? Clearly this is an open question, but one which must urgently be put at the top of policy agendas at all levels: inter-governmental, corporate, civil society North, South and East …and not forgetting in the critical field of international law.

What about using tariffs, rather than as a fairly blunt and purely numerical instrument, as a lever to encourage producers, traders and consumers to achieve what most of them actually want to see… an economically, socially and ecologically sustainable banana economy? A tariff system that is wiser than one based on geo-political history could encourage all actors to collaborate - even to compete - to put sustainable production and trade into practice. All the signs are that this is what a growing majority of consumers want too. Continually improving labour and social conditions, an increasingly healthy working and natural environment and a fair price paid at all stages of the chain must no longer be seen as an idealist’s dream, but as achievable in the medium term.

A “WTO-compatible solution” is one with which none of the member state governments actually seriously disagrees. A “politically feasible” alternative is one which will be intelligently promoted, calmly debated and carefully implemented by a critical mass of key players.

On the occasion of our tenth birthday as an international network, the European Banana Action Network (EUROBAN), together with our close allies involved directly in production and the trade, offers readers and their colleagues a discussion paper exploring the practicalities and issues surrounding the idea of a tariff system which would differentiate between suppliers on the basis of sustainability criteria, rather than on the basis of historical volumes where price is only determined by short-term financial costs.

EUROBAN members and our partners in civil society organisations in 25 countries of the banana producing and consuming world look forward to engagement on this issue of the EU's trade policy reform (amongst many others) with as many of you as possible as we prepare for a second International Banana Conference in 2005.

The ideas we present for open debate* are inspired by the belief that the WTO does not necessarily spell blockage at the lowest common denominator of any idea thought to be "outside the box", rather that differentiated tariffs may spell wiser trade opportunities. We believe that such a framework could be one important instrument in the toolkit we need in order to create a banana 'race to the top'.

We very much look forward to your participation in a quest for practical solutions which are founded on a refusal to accept the further downward spiral in production conditions and terms of trade which the short-term future inevitably spells if we don't take some bold initiatives.

*** Downloadable in Spanish, English and French at** **www.bananalink.org.uk**

Issues: Producer Countries

FAO PREDICTS STRUCTURAL OVERSUPPLY WILL CONTINUE

World exports are projected to increase to 15 million tonnes by 2010, an increase of 28% compared to the 1998-2000 period. Imports are also predicted to increase by a similar amount. This would mean that the overproduction of around 7-800,000 tonnes per year that exists – and has depressed prices very severely for much of the least five years – would still be there at the end of this decade. However, these projections, especially on the export side, may be thrown out if the current expansion rate continues: total exports increased by 5.5% between 2002 and 2003. Ecuador's exports alone increased by 11% to a record of 4,473,600 tonnes - over 36% of estimated world supply last year.

Sources: FAO, Rome, 2003; Ecuadorian Ministry of Agriculture, Guayaquil, 26/01/04.

NEW SUPPLIES… TO MEET WHAT DEMAND?

New banana plantations - on the Atlantic coast of Brazil, on the Pacific coast of Costa Rica and Guatemala, as well as in Cameroon – are still being opened up. In many cases fragile or biologically diverse ecosystems are being replaced with mono-culture 'meri-stem' Cavendish bananas at a time when it is far from clear why such investment is necessary, or how these new highly productive plantations will be prevented from further saturating an already saturated world banana market…. That is unless the likes of Fresh Del Monte, the leader in the race to plant new extensions, are planning to close down most of their existing operations lock, stock and barrel. Del Monte is behind the first new plantation to appear on the central Pacific coast of Costa Rica for several decades. If the projected expansion takes place in Cameroon (400,000 tonnes of exports by 2006), local sources report that this will be at the direct cost of primary tropical forest.

Sources: Banana Link ; La Nacion, San José, 04/02/04.

ECUADOR: MINISTERIAL UNREST THREATENS CONVERSION PLAN?

Sergio Seminario, Ecuador's third Minister of Agriculture since President Gutierrez took office in January 2003, had advanced plans to convert 50,000 hectares of illegally planted banana land directly responsible for overproduction – and therefore low prices – within the world's biggest exporting country. However, on February 8th Seminario, was asked to resign by Gutierrez and was duly replaced by Salomon Larrea (who had been Minister in the Mahuad government in 1999-2000). Seminario, a banana supplier to Noboa and member of Alvaro Noboa's political party, now stands accused in court by a member of Parliament of having submitted to pressure from the company to reduce the legal minimum price paid to producers from $3.20 to $2.60 in the last quarter of 2003. Larrea, also a landowner – and former banana grower - has promised not to let his personal interests influence his political decisions. Like his predecessor, he has affirmed his commitment to mediate between exporters and producers to ensure that the minimum price is respected, and has said he will ask the US to help the government do satellite mapping of banana plantations. The current high prices in Ecuador – well above the minimum, and double those of the same period last year – have given Gutierrez' fourth Agriculture Minister at least a few weeks' respite… Meanwhile, this government's fourth Labour Minister was installed in February.

Sources: El Universo, Guayaquil

SHARE OF ECUADOR EXPORTS FOR BIG FOUR COMPANIES, JAN 2004

Exporter	*Share of total exports*
Noboa	18.7%
Reybanpac	16.2%
Dole-Ubesa	14.1%
Kimtech-Comaca	11.5%
Others*	39.5%

*The next biggest 'others' are Bandecua (Del Monte), CIPAL, Exbanecua and Banafresh.

Source: AEBE, Guayaquil, Feb 04

ECUADOR: SMALL PRODUCERS RESIST THE TREND

Small-scale banana growers in the Southern province of El Oro, fed up with years of derisory prices paid by intermediaries selling on to exporters, decided to market their bananas under their own brand called 'Bendicion' (blessing) from February. Members of the newly formed Autonomous Farmers' and Workers' Association (ATAO) have signed a year's contract to sell their fruit mainly in the Chilean and Argentine markets. Farmers will be paid $4.25 in peak season, considerably above the $2.85 minimum reference price for the first quarter of 2004 (in the low season they will receive $3.20 a box). At the end of last year, growers were getting as little as $0.80 per box.

But for those who have not been able to secure fairer prices, the banana business is no longer an option; the number of small banana farms for sale in El Oro province continues to grow. "*Banana is no longer profitable for small producers. Production is now being concentrated in the hands of the big growers*," said Leiner Paredes, farmer and chairman of the El Oro Chamber of Commerce. 80% of El Oro's 2800 banana producers have less than 30 hectares. In the El Guabo district of El Oro province, where 70% of families depend on banana production for their livelihoods, over 7% of the 16,000 hectares of banana farms is now certified organic.

Sources: El Universo, Guayaquil, 02/02/04; El Comercio, Quito, 24/02/04.

ECUADOR: EXPORTERS TARGET MIDDLE EAST

One of the key objectives of Ecuador's big exporters is to get better access to the markets of countries like Turkey, Syria, Iran and Iraq. At present tariffs of between $6 and $10 per box prevail in these countries. "*If we can get Turkey to cut its tariff from $9.50 to $4 a box, then we would be competitive*," said Simon Canarte, chairman of the Chamber of Agriculture. For the first time, exporters committed themselves to look at "the possibility of improving environmental conditions".

Source: El Telegrafo, Quito, 18/02/04.

COLOMBIA AND ECUADOR: BANANA WORLDS APART

A flurry of articles in the Ecuadorian press in January has revealed the major differences between the banana industries of Colombia and her Southern neighbour: two of the most striking contrasts are in labour relations and in the commercial relations between producers and exporters. Whilst Ecuador has become infamous for its bad working conditions, poor wages and abysmal labour relations, Colombia has a national collective bargaining agreement between the industry and the trade union SINTRAINAGRO, covering 340 plantations in Uraba, as well as three to five year purchasing contracts between many exporters and producers and a well-established environmental and social improvement plan (Banatura). This has given the Colombian industry a stability which is the envy of most of its major competitors, not just Ecuador.

Sources: Various El Universo, Guayaquil, Feb 04; El Telegrafo, Quito, 29/01/04.

COLOMBIA: UNIONS SECURE PROMISE FROM CHIQUITA

Chiquita recently announced that it is negotiating the possible sale of its Colombian operations (Banadex) to the Colombian national banana company BANACOL, with whom it would enter into a long-term purchasing agreement. As the IUF/COLSIBA/Chiquita agreement of 2001 commits the company to use its influence with suppliers to respect the same union rights standards which apply to company-owned operations, the International Union of Foodworkers initiated discussions with the company to preserve the collective bargaining agreement between Chiquita and IUF-affiliated SINTRAINAGRO in the event of a sale. The current agreement recognises SINTRAINAGRO as the single union organising the whole of Chiquita's Colombian workforce. A Memorandum of Understanding between the IUF, COLSIBA, SINTRAINAGRO and Chiquita commits the company to "*insist that any agreement for such a sale would provide for the existing collective bargaining agreement to remain in full force…*" Chiquita would "*insist and use its best efforts to ensure that BANACOL respect the minimum labour standards and the terms of the IUF/COLSIBA/Chiquita Agreement as they would apply to a Chiquita supplier….*"

Source: IUF website, Geneva, 01/03/04.

COLOMBIA PROPOSES COMMON STRATEGY…

Latin American producing countries "*have a better chance if they go together into negotiations*" to market their bananas in the ten new countries of the EU. Latin America should coordinate a strategy to avoid oversupply and "distorting prices" in these new markets. This is the thinking of Augura, the Colombian producers' and exporters' association, who are better prepared to meet new requirements in the European market than their counterparts in Ecuador. The Colombian government has extended credit to producers to improve infrastructure and qualify for EUREPGAP certification. Ecuadorian Exporters' Association (AEBE) spokesman Eduardo Ledesma responded to the Colombian proposal by saying that the idea was "interesting*, but Ecuador has to make its own strategy as it is the biggest producer*."

Meanwhile, the Romanian government has confirmed its interest in buying Colombian bananas for the first time in over a decade.

Sources: El Universo, Guayaquil, 05/02/04; www.economiaenred.com, Medellin, 04/02/04.

COSTA RICA: SLIMMING DOWN TO COMPETE OR TO COOPERATE?

A decade ago, Costa Rica, the second biggest exporter in the world, had over 50,000 hectares of bananas distributed across some 200 plantations. Today, there are just over 42,000 hectares and only 142 producers. All the fruit is marketed by just nine companies, with the vast majority being shipped by Dole, Chiquita or Del Monte. As greater productivity has been achieved, plantation wages and benefits have been pushed down – especially since the price crisis of 1999 - using a combination of an anti-union labour policy, the threat from competitors like Ecuador… and the ever-present threat of abandoning the country altogether if workers demand too much. Environmental improvements have been made over the decade, but an enormous amount remains to be done; the limits of large-scale monoculture, in a country where black sigatoka is never far away, are clear. "*A plantation of less than 30 hectares is not a business,*" explained Jorge Sauma, managing director of the national banana corporation, CORBANA. Smaller plantations with less technology and low productivity have gone out of business in the last 5 years. Agriculture Minister, Rodolfo Coto, went on to explain the government's strategy of seeking unity amongst producing countries in the face of a saturated world market: "*Ecuador is key… and Central America as a bloc want an agreement to avoid production surpluses and therefore low prices*."

Source: El Universo, Guayaquil, 22/12/03.

GUATEMALA: SHIFT TO PACIFIC COAST ACCELERATES

Following the closure of five COBIGUA (Chiquita subsidiary) plantations in the Caribbean coastal province of Izabal last autumn – in the middle of union contract renegotiations - speculation is rife that all the companies are preparing a step-by-step abandonment of Izabal in favour of the new non-union plantations on highly productive land on the Pacific coast, with easy access to the West Coast of North America. Bandegua (Del Monte subsidiary), which also has new supplies on the Pacific coast, is keeping quiet as we go to press about whether they intend to take back control of two plantations in Izabal which had been on lease to local producers. The SITRABI trade union fears that the fact that plantations have not been tended for several weeks means that Del Monte is not interested in either encouraging the current management to keep producing or in taking back the land into Bandegua's control. Dole, which has a joint venture with the Bolanos family in its 5000 hectares of banana land in Izabal, is also known to have new plantations producing its own brand bananas on the Pacific coast. Trade unions report widespread fear of any sort of organising to improve wages and conditions amongst the mainly poor campesino workforce there. The devastating coffee price crisis has meant that banana jobs – despite the fact that they do not provide a living wage - are even more precious than before, in an area where no other formal employment opportunities exist.

Sources: SITRABI, Morales, Feb 04; COLSIBA, Honduras, Jan 04; US/LEAP, Guatemala, Dec 03.

NICARAGUA: WOMEN CHEMICAL VICTIMS WIN COURT CASE

On March 3rd, in the midst of concerted action on the streets of Managua by various groups of victims of the chemical DBCP, 82 Nicaraguan former banana workers made history by becoming the first women to be awarded the right to compensation for the damage to their health. Each woman was awarded just over one million dollars by the Nicaraguan courts. The problem is that the three companies – Dole, Dow and Shell - ordered to pay the total compensation award of US$82.9 million do not accept the jurisdiction of Nicaraguan Law 364; indeed, they had tried – unsuccessfully - to get the law repealed in late 2002.

In February, several groups of victims had either marched to the capital from Chinandega or had been brought there en masse by the trade unions FETRABACH and ATC who have supported their cases. They came in search of political support from the government for their legal cases against the three companies, many of which have now been referred to the US courts, where victims hope to have the successful compensation awards made in Nicaraguan courts ratified in US courts. The government has pledged support in the context of rising public support for the former banana workers' quest for justice.

Sources: Various La Prensa Sources, Managua, Feb-Mar 04; FETRABACH and ATC, Chinandega.

Former and current banana workers reported to be affected by DBCP (credit: FETRABACH)

PANAMA: LABOUR STRIFE AT NEW COOPERATIVE

The future of the COOPSEMUPAR, the cooperative of former Chiquita workers on the Pacific coast is under threat. On 28th February some 500 workers went on strike for better wages and conditions, paralysing the whole operation which involves 3500 workers on 10 plantations managed by the cooperative. The striking workers have voted out the Secretary General of the SITRACHILCO union, José Morris, who was appointed General Manager of COOPSEMUPAR following the sale of the plantations by Chiquita. Morris is accused of bad management and misleading workers. A spokesman for COOPSEMUPAR stated that the basic problem was that costs of production are $2 a box more than the $5.55 which Chiquita is contracted to pay for the Cooperative's bananas; the farm had also been badly affected by an attack of the black sigatoka fungus. On 9th March, Panamanian President Mireya Moscoso appointed an emergency high-level commission of Ministers to carry out an audit and "take all relevant measures".

Source: Various La Prensa, Panama City, Feb-Mar 04.

PANAMA: INDEPENDENTS GIVEN NEW HOPE

The sector most affected by fierce competition in the EU market and the lower prices is a group of independent plantations selling to Chiquita on the Atlantic coast of Panama. Four of the thirteen farms have already closed and the others were under serious threat until the Ministry of Trade and Industry came up with a grant of $3 million to cancel some of the debts and pay unpaid wages at the end of January. One of the trade unions, SITRAFCA, had initiated a strike, followed by legal action against the plantation owners for non-payment of wages. Workers had been told by management that it was impossible to pay wages because the Chiquita subsidiary Bocas Fruit Co. had not been paying the prices it had contracted to pay. It is estimated that 80,000 livelihoods depend on the banana industry in the Bocas del Toro province.

Sources: El Panama América, La Prensa, www.panactual.com, Panama City,19/01 to 02/02/04.

HONDURAS: NATIONAL PRODUCERS FACE BANKRUPTCY

The 19 surviving national producers made a last-ditch appeal to the Honduran government in mid-March to help them roll over debts amounting to over US$20 million. Arturo Castillo, spokesman for the independent producer's association, said the *"asphyxiating debt"* problem has been caused by the unsustainable prices being paid by the multinationals who buy their fruit (Chiquita and Dole). Producers add that the costs of complying with new US food safety and 'bio-terrorism' legislation being enshrined in the

Central American Free Trade Agreement with the United States is a final nail in their coffin. The plantations employ 6,500 workers directly, and another 30,000 indirectly. Four independents have already had to close down, leaving 19 farms and three cooperatives, with little hope of increased prices in the near future. In 2003 virtually all Honduras' exports went to the USA, where prices are much lower than in the EU. Standard Fruit (Dole) blames "overproduction" and increasing quality demands for the low prices it is obliged to pay. Unlike the multinationals, the Honduran producers do not have the financial resources to diversify into crops such as pineapples and oil-palm.

Sources: La Prensa, San Pedro Sula, 23/02 and 18/03/04

SURINAME: STATE COMPANY RESTARTS EXPORTS

Government-owned Surland, which closed down in April 2002 because of the company's inability to pay workers, exported its first 220 tonnes of bananas to Europe in the first week of March. The restructuring programme financed by a loan from the Inter-American Development Bank includes the sale of Surland to one or more private owners. Irish company Fyffes, previously the sole exporter, has been replaced by French company Agrisol, with shipping contracted to the French CGM. It is expected that exports will steadily increase to 35,000 tonnes by the end of this year and jobs will increase from the current 650 to 1000; there were over 1500 when Surland closed own two years ago. Surland President predicted exports of 100,000 tonnes by 2006.

Sources: Sopisco Week11/03, Panama City; www.reefertrends.com, 10/02/04.

FRENCH CARIBBEAN: GOVERNMENT AID IN FACE OF CRISIS

After suffering the worst ever prices on the French market, growers in Martinique and Guadeloupe were offered a 21 million euro emergency advance on EU compensatory payments by the French government. This is additional to a five-year 25 million euro "contract for progress" signed on 3rd March between the industry and Paris: the contract comprises a marketing campaign, the implementation of sustainable agronomic practices and social aid for the plantations in greatest difficulties. In Guadeloupe several hundred workers were laid off in February alone, as farms have been forced to close down. The growers' associations rejected the deal, however, claiming that only 5 of the 25 million would have been made available by the government over the next five years. On 10th March, 2000 growers marched in silence in Fort-de-France to protest what they see as the imminent collapse of the industry.

Source: France-Antilles, Fort-De-France, 06/03 and18/03.

INDIA: KERALA EXPORTS IN PIPELINE

The government of the Southern state of Kerala is funding the establishment of 3000 hectares of banana for export, as part of an Agri-Export Zone project. With technical support from the state government, target yields of 20 tonnes per hectare are projected on farms of ten hectares each. Part of the programme is training for thousands of farmers in harvesting, and packing techniques. Until now, the world's biggest banana producer has not engaged in exports.

Source: Business Line, India, 08/12/03

Issues: Consuming Countries

FAIRTRADE GOES MAINSTREAM, CLAIMS UK PRESS

Sales of Fairtrade labelled products hitting nearly £100 million a year, coupled with the UK's biggest supermarket chain Tesco launching a range of 25 own brand Fairtrade products, and 'brand recognition' by over 50% of British consumers have convinced the trade press that Fairtrade has gone mainstream. 18% of the filter coffee market is now Fairtrade labelled, as is over 3% of the fresh banana market. However, in Switzerland, where Fairtrade bananas have had over 20% of the market for some time, Co-op, one of the country's two main retailers, decided in February to sell only Fairtrade. This means that at least one third of bananas sold in Switzerland now carry the label.

Sources: Marketing Week, London, 04/03/04; Max Havelaar Schweiz, Feb 04.

ALGERIA: IMPORT TAX RISE SURPRISES SHIPPERS

A 70% increase in the import tax on bananas surprised two ship-loads of Ecuadorian fruit awaiting customs clearance in the Mediterranean in December. Dole and Adria brand bananas had to wait outside the port of Algiers while the tax increase was confirmed by authorities. Importers predicted that the retail price in Algeria would nearly double.

Source: www.reefertrends.com, 16/12/03.

SHARE OF UK IMPORTS BY SUPPLIER

January to September 2003

Costa Rica	20.5%
Cameroon	16.5%
Colombia	11%
Dominican Rep.	9%
Windward Islands	7.5%
Other ACP*	14.5%
Other Dollar/EU**	21%

** Belize, Jamaica, Ivory Coast in descending order*
*** France, Ecuador, Panama, Guatemala and unknown dollar imports via other EU ports*

Source: DEFRA, Jan 04

FAIRTRADE BANANAS LAUNCHED STATESIDE

Transfair USA, the not-for-profit marketing organisation promoting Fairtrade labelled products in the US, launched bananas for the first time in late January. The organic retail chain, Wild Oats Markets, became the first US retailer to sell Fairtrade bananas in January. The launch provoked Chiquita and Dole into making claims to the press that *"most of their bananas would meet the standards".*

Sources: USA Today, 27/01/04; Transfair USA Press Release, Oakland, 26/01/04.

POLAND: FAMILY FIRMS DENOUNCE DISCRIMINATORY EU MEASURES

The Association of Polish Banana Importers is considering taking the European Commission to the European Court of Justice over the way in which the transitional banana arrangements have been imposed on new member states. The association of over 40 small and medium-scale importing and distributing companies claims that the reference period selected and the definition chosen of 'traditional operators' discriminates in favour of companies operating in the EU-15. The multinational fruit traders entered Poland and other new member states in the last 3 years and are now squeezing smaller operators, especially as the retail trade becomes more and more dominated by big Western European supermarket chains.

Source: Association of Polish Banana Importers, Mar 04.

ITALY: BANANA SMUGGLERS CHARGED

A group of four Italian businessmen has been found guilty by Italian fiscal police of avoiding VAT and tariff payments on 4,400 tonnes of bananas. The Bolzano-based consortium is estimated to have avoided payment of around 3 million euros of taxes and duties. They have been charged with "aggravated and persistent smuggling".

Source: www.fruite.com, 03/02.

Issues: Trade Policy

BRUSSELS ANNOUNCES NEW QUOTA

In February, the European Commission finally announced that it will establish an additional quota from May 1st to cover banana imports to the 10 new member states, quashing rumours that the EC would propose an early transition to a tariff only regime ahead of the 2006 deadline. A letter to Commissioner Fischler signed by all seven major Latin American banana-exporting countries in December denouncing this rumour and calling for full consultations over banana reform may have helped the EC come out in favour of a new quota. In April, the Commission announced that the additional volume for the first eight months of 2004 would be 300,000 tonnes, equivalent to an annual consumption of 450,000 tonnes in the new member states. Although various observers believe that Brussels would like to implement its tariff only regime at the beginning of 2005, most conclude that it is unlikely that this timetable will prove feasible, given the formal consultations to which the EU is committed under its obligations in the WTO.

Sources: various EC, Brussels, 04/03 and 17/04.

AFRICAN PRODUCERS DENOUNCE LACK OF CONSULTATION

The newly founded African Independent Banana Producers' Association (UPIBA) called a press conference in Brussels in early March to denounce the fact that they were not consulted about the latest reform of the EU regime. According to UPIBA, a Cameroonian government delegation had even been refused a meeting with Agriculture officials in the European Commission. Cameroon and Ivory Coast are particularly angry at the lack of consultation because the EC has encouraged them to increase production by offering technical assistance. On the issue of a future tariff only regime, UPIBA argues that it needs preferential treatment, otherwise the impact on employment will be "destructive".

Source: UPIBA Press Release, Brussels, 03/03.

CARIBBEAN PRIME MINISTERS WARN OF DISASTER

A delegation of three Prime Ministers met with three European Commissioners in February to underline the threat of “destruction” facing the region’s banana industry. They decried that fact that there had been a drop of 64% in banana prices in real terms between 1991 and 2000, and called for a single tariff level which *“ensures the continued viability of the Caribbean industry.”* The delegation was accompanied by the Coordinator of the Windward Islands Farmers’ Association who have led the Fairtrade initiative in Europe.

Source: www.cbea.org, 13/03.

EPA NEGOTIATIONS EXTEND TO OTHER ACP REGIONS

In February 16 countries of Eastern and Southern Africa opened negotiations with the European Union towards an Economic Partnership Agreement (EPA). Although these countries include some of the largest producers and consumers of bananas and plantain per capita in the world – such as Uganda, Rwanda and Burundi – only Madagascar, Kenya and Uganda have exported small quantities to the EU in recent years. Civil society groups have criticised negotiations however, warning that African countries will be *“subject to implicit threats and pressures”*. They are also worried that increased market access for the EU’s own goods and services will *“pose serious threats to already vulnerable local food production, processing and infant manufacturing”.*

The Caribbean region has also launched EPA negotiations with the European Union. Government ministers from 16 Caribbean countries met with the EU Commissioners for Trade and Development in Kingstown, Jamaica on 16 April to formally launch the negotiations which will lead to a free trade agreement.

The Caribbean was the fourth region to open EPA negotiations with the EU and the Pacific countries are expected to get under way in September. All these regional negotiations are scheduled to conclude by the end of 2007 when the non-reciprocal trade preferences accorded to ACP countries by the EU will end.

Sources: EC Press Release, Brussels, 05/02 and 16/04; Eclairage sur les Negociations, ICTSD, Geneva, Jan 04; Inter-Press Service, Brussels, 10/02.

US-CAFTA NEARS COMPLETION

A Free Trade Agreement between the United States and four countries of Central America – El Salvador, Guatemala, Honduras, and Nicaragua - was concluded in December, with Costa Rica and the Dominican Republic joining in January and March respectively. Although the Central America – US banana trade will not be affected (there are no duties on bananas entering the USA), Chapter 16 of CAFTA covers labour, requiring parties to effectively enforce their labour laws whilst ensuring that these laws are consistent with ILO standards on freedom of association, collective bargaining, non-discrimination, child and forced labour.

Sources: Bridges, ICTSD, Geneva, Jan-Mar 04; Third World Economics, Penang, Dec 03.

BANANA EXPORTERS STILL TO RATIFY PESTICIDE CONVENTION

The 1998 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade became legally binding on its parties on 24th February. The Convention, jointly backed by FAO and the UN Environment Programme, enables countries to prohibit imports of chemicals that it cannot manage safely. The Convention includes requirements for labelling and providing information on potential health and environmental effects. Chemicals covered include chlorobenzilate, DDT, heptachlor, lindane and parathion. None of the three biggest banana exporting countries have yet ratified the Convention.

Source: FAO Press Release, Rome, 24/02. See also www.pic.int

EU GSP: INDIA CHALLENGES DRUGS REGIME

A WTO Panel ruled in December that India was right to consider the special arrangements in the European Union’s Generalised System of Preferences (GSP) for countries involved in drug production and trafficking to be discriminatory; India claimed that the EU had decided arbitrarily which countries should benefit from preferences. The EU, worried that its other special incentives to promote labour rights and protect the environment would also be judged incompatible with WTO rules, appealed against the decision.

In April, the Appellate Body of the WTO ruled that the principle of special incentives under the GSP was not discriminatory, but that the criteria for selecting which countries qualified for the

Special Drugs Arrangement were not transparent and would need to be revised.

Sources: Bridges, ICTSD, Geneva, Jan-Apr 04; Third World Economics, Penang, Dec 03.

EU REVIEWS PREFERENCES TO PROMOTE LABOUR RIGHTS

Since 2001, the EU has had Special Incentives to Promote Labour Rights under the GSP scheme for developing country trade, but only Moldova and Sri Lanka have been able to benefit from an arrangement which has required countries to demonstrate that the core ILO standards are incorporated into national legislation and effectively applied. In late 2003, following the announcement that the current GSP would continue for another year, until the end of 2005, the European Commission suggested making the special labour rights incentive easier to access by extending these preferences to countries "engaged in significant ongoing efforts to incorporate and apply" the core ILO conventions. Conversely, the EU can withdraw preferences for countries which are shown to be systematically violating standards: in 1997, Myanmar (Burma) had its benefits withdrawn for violations of the Forced Labour Convention; in January, the EC announced an investigation into workers' rights violations in Belarus. At present, bananas are not one of the product categories eligible for preferences under the GSP.

Sources: EC press release, Brussels, 29/10/03; ICFTU press release, Brussels, 07/01.

Companies

NOBOA: BAD BEHAVIOUR PUNISHED IN THE MARKET

Following the publication of the highlights of a detailed ethical survey of banana companies, commissioned by a consortium of European consumer organisations, Noboa's Belgian subsidiary has claimed to have lost "millions of euros" in orders from European buyers. Amongst the big five companies, Del Monte and Noboa came out bottom on a range of social, environmental and transparency issues.

See table below for survey results.

Source: "Test-Achats", Belgium, Feb 04.

BANANAS: EVALUATION OF ETHICAL ASPECTS

	Environment					**Social Criteria**					**Transparency**			
	Environmental policy	Pesticide Use	Other environmental measures	Verification and certification	**Total environment**	Labour standards policy	Labour standards monitoring	Welfare and education initiatives	Verification and certification	**Total social criteria**	Collberation with survey	Voluntary communication (website)	**Total transparency**	**Overall Score**
International companies														
Chiquita	A	A	A	A	**A**	A	B	B	B	**B**	B	A	**B**	**B**
Consul (Chiquita)	A	A	A	A	**A**	A	B	B	B	**B**	B	A	**B**	**B**
Dole	A	B	B	A	**A**	A	B	B	C	**C**	A	A	**A**	**C**
Fyffes	A	A	B	C	**C**	A	B	B	C	**C**	A	C	**C**	**C**
Bonita (Noboa)	B	C	C	C	**C**	C	C	C	C	**C**	C	B	**C**	**C**
Turbana (Uniban)	B	B	B	C	**C**	C	*(1)*	A	C	**C**	C	B	**C**	**C**
Fair trade organisations														
FLO	A	A	A	A	**A**	A	A	A	A	**A**	A	A	**A**	**A**

(1)Too little information

A - fully complies with ethical demands, **B** - partially complies with ethical demands, **C** - does not meet ethical demands

REYBANPAC: A BREAKTHROUGH FOR WORKERS?

Ecuador's second biggest banana company, Reybanpac, which sells under the Favorita brand, has held a series of exploratory meetings with FENACLE, the small farmer and rural workers' confederation, to discuss the potential for establishing independent workers' organisations in their 47 plantations. The company, which benefits from loans from the World Bank's International Financial Corporation, is keen to take its corporate social responsibilities seriously. Reybanpac's plantations are already certified by Rainforest Alliance for its improved environmental management. The company also has its own Foundation which funds schools and other social investment programmes in and around their banana plantations.

Source: FENACLE, Guayaquil, and Banana Link, Mar 04.

DOLE: COMMITTED TO ECUADOR… AND FREE TRADE

Dole owner, David Murdock, continues to raise his profile in Ecuador, especially in government circles. In February, Murdock flew actress Bo Derek in to reinforce his message of commitment to the country. Dole and Ecuadorian Trade Minister, Yvonne Baki, made a joint announcement of a project to build 800 houses for banana staff. Dole is seeking government backing for the housing developments which will include schools, parks and churches. Dole claims to employ 30,000 people in its banana, pineapple and rose farms in Ecuador. Bo Derek's appearance was in her capacity as member of the Galapagos Conservation Foundation, an organisation which Dole's Murdock has funded to carry out flora and fauna projects. Earlier that month, Dole had taken part in meetings between Baki, Ecuador Labour Minister and US senators, congressmen and Trade Representative Robert Zoellick to promote the Ecuador-US Free Trade Agreement negotiations scheduled to start in April.

Sources: Diario Expreso, Quito, 08/02; El Universo, Guayaquil, 21/02.

DOLE, DOW AND SHELL SUE DBCP VICTIMS

Two days before Christmas, a new twist emerged in the long-running legal saga over former banana workers who claim that their health was damaged by a chemical produced in the US and shipped to banana plantations worldwide after it was banned in the US. Dole Food Company is now suing, in a Californian court, some 1000 Nicaraguans for false allegations and fraudulent compensation claims. In January, Dole was joined by Dow Chemical, Shell Oil and Shell Chemical. The chemical and fruit companies are using legislation known as the Rico Law, which is normally only used to combat organised crime.

Source: La Prensa, Managua, 30/01.

DOLE ITALY OFFICES OCCUPIED BY PROTESTERS

On February 12th a group of protesters occupied the head office of Dole Fruit in Milan. The protesters from the Italy Nicaragua Association were demanding that the company pay just compensation to the Nicaraguan victims of the DBCP poisonings. The action was coordinated to coincide with an occupation of the Nicaraguan parliament in Managua by one of the groups of victims.

Source: Italy Nicaragua Association, Milan, 13/02.

DEL MONTE LINKED TO NEW PLANTATIONS IN COSTA RICA

Despite being a relatively high-cost producer, Costa Rica has seen the planting of new areas of banana in the last year. For the first time in several decades a company known as Frutas Selectas del Tropico has invested at Parrita in the Central Pacific coastal region. The company, which reports have linked to the multinational Del Monte, has also planted 75 hectares of pineapples. The target is to expand to 400 hectares of each fruit, employing up to 700 people. The first bananas were harvested in February.

Source: La Nacion, San Jose, 16/02.

MORE FYFFES TAKE-OVER RUMOURS

Another rumour that the cash-rich Fyffes plc may be looking to take over another banana company were circulating in January. Noting that Del Monte's price-to-earnings ratio was less than half Fyffes', one Irish analyst suggested that the higher rating *"might improve the potential of a corporate arrangement between Fyffes and Fresh Del Monte, such as a merger of part or all of their businesses"*.

Source: Irish Independent, Dublin, 26/01.

CHIQUITA GETS NEW CEO

Fernando Aguirre, a former executive from US multinational Procter & Gamble, has been appointed new president and chief executive of Chiquita Brands International. Former CEO, Cyrus Freidheim remains chairman of the board.

Mexican-born Aguirre was previously responsible for Procter & Gamble's feminine products business. Chiquita shares reached a new peak at $24.40 each just after Aguirre took over in January, very significantly up from when Freidheim took over at the time of Chiquita's near-bankruptcy.

Source: AP Worldstream, New York, 13/01.

FRENCH DISTRIBUTOR INVESTS IN CARIBBEAN

French fruit and vegetable distributor, Canavese, has rescued 7 plantations (350 hectares) in Martinique. They were part of the biggest group in France's main banana producing island, Tuskeban, which went into receivership in October 2003. Canavese controls about 12% of the French banana market and also owns a 100 hectare plantation in Ivory Coast.

Source: Les Echos, Paris, 30/01.

Publications, websites and events

"STOLEN FRUIT"

Written by former commodity trader, Peter Robbins, this book puts the case for the revival of international commodity agreements as the only way of reversing the long-term decline in prices for primary commodities. Published by Zed Press. For details, contact the author via *cmis@btinternet.com.*

"TRADING AWAY OUR RIGHTS"

Published by Oxfam as part of their global campaign to "Make Trade Fair", this booklet provides analysis and examples of how developing country suppliers, especially their women workers, are being squeezed by the increasingly powerful global retail companies; it includes a case study of UK supermarket giant Tesco. Copies available from *kraworth@oxfam.org.uk.*

INTERNATIONAL BANANA RESEARCH CONGRESS

The Congress takes place from July 6th to 9th in Penang, Malaysia and it is co-organised by the Malaysian Agricultural Research and Development Institute, Malaysian universities, INIBAP and the International Plant Genetic Resources Institute, is focused on harnessing research that will improve smallholder livelihoods. For more information, contact Karen Lehrer at INIBAP on *k.lehrer@inibap.org.*

NEW ACP-EU TRADE ARRANGEMENTS

A study of the Cotonou Agreement's trade provisions and EPA negotiations has been published by European NGO network, EUROSTEP; it is sub-titled "New Barriers to Poverty Eradication?". It can be downloaded at: *www.eurostep.org/pubs/trade_study.pdf.*

EU DEVELOPMENT COOPERATION

Edited by Karin Arts and Anna Dickson and published by Manchester University Press, this book reviews a wide range of aspects of the EU's changing relationship with developing countries; the sub-title is "From Model to Symbol". It includes an analysis of the banana regime. It can be ordered online (excluding US) at *www.manchesteruniversitypress.co.uk.*

RECUEIL STATISTIQUE ANNUEL 2002

This banana statistical handbook (in French) gives detailed figures for the world, EU and French markets. It is available on request to *odeadom@odeadom.fr.*

"UNLIMITED COMPANIES"

ActionAid, the international development NGO, has produced a short briefing on the potentially destructive impact of an investment agreement in the World Trade Organisation. It is available from *mail@actionaid.org.uk.*

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